



Expat Counsel



PROPERTY TRANSFER TAXES 1: The unthinkable has happened

Someone once said that though both death and taxes were inevitable, at least death didn't get worse each year. But something has happened in Thailand. There has been a realisation that the property sector has to be stimulated and this has created an opportunity for the moment — taxes on property and land sales have been reduced.

By Royal Decree, issued in accordance with the Revenue Code Regarding Tax Reduction (No 472) B.E. 2551, dated March 28, and Proclamations of the Interior Ministry on March 24, 2008 and on April 30, 2008 by Chalerm Yubamrung, then minister of the interior, specific business tax and government registration fees on property, land sales and mortgages have been reduced for a period of one year, from March 29, 2008 to March 28, 2009. Thus if you know you're going to buy a place to live in Thailand but can't decide when, maybe the time is now.

HERE ARE THE NEW RATES, WHICH APPLY TO BOTH NEW AND USED HOUSING:

For the sale of: 1) a house; 2) land up to one rai (1,600m²) including a house; 3) raw land subdivided under a land allocation licence (the licence a developer gets to subdivide a larger tract); 4) land including house subdivided pursuant to a land allocation licence; 5) a condominium; 6) an office building under the construction control law; or 7) land including an office building under the construction control law.

The registration fee is 0.01% of the assessed price, plus the specific business tax (which includes the municipality tax) of 0.11% of the transaction price (this is only applicable if the property has been held by the seller less than five years), or stamp duty of 0.5% of the transaction price, if the specific business tax is not applicable because the property has been held by the seller more than five years.

For the sale of: 1) raw land; or 2) land exceeding one rai not subdivided pursuant to a land allocation licence that includes a house, the registration fee is 2% of the assessed price, plus the specific business tax of 0.11% of the transaction price (again, this is only applicable if the property has

been held by the seller less than five years), or stamp duty of 0.5% of the transaction price, if the specific business tax is not applicable because the property has been held by the seller more than five years.

There are additional fees for the registration of a mortgage on: 1) a house; 2) land up to one rai including a house; 3) raw land subdivided under a land allocation licence; 4) land including house subdivided pursuant to a land allocation licence; or 5) a condominium.

The mortgage registration fee is 0.01% (up to a maximum of 200,000 baht) of the mortgage value for these interests bought between March 29, 2008 until March 28, 2009. For the period before March 29, 2008 and after March 28, 2009, the mortgage registration fee is 1%.

There are still withholding taxes on the seller's income, which must be withheld by the buyer and paid to the government at the time of registration. We will not cover these in this article though because they haven't changed and aren't charged to the buyer, but to the seller.

Here's a very simple example. Let's say a condominium is sold new today without a mortgage for the price of three million baht. The taxes are as follows: the registration fee is 0.01% of the assessed price, or three million x 0.01% = 300 baht. The specific business tax is 0.11% of the transaction price, or three million x 0.11% = 3,300 baht. Total 3,600 baht.

Under the old rules, and those that will apply after March 28, 2009, this calculation is: The registration fee is 2% of the assessed price, or three million x 2% = 60,000 baht. The specific business tax is 3.3% of the transaction price, or three million x 3.3% = 99,000 baht. Total 159,000 baht.

You can see that the reduction is substantial.

We'll cover a few more subtleties of all this and more examples in later articles. ■

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